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ADDRESS BY  
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[ NEW PROBLEMS OF ACCOUNTABILITY FOR FEDERAL PROGRAMS ]

If I were to ask you as public administrators and political scientists what principally comes to mind when one refers to accountability, I suspect that most of you would reply in terms of accountability as it relates to our constitutional separation of powers--principally between the executive and the legislative branches.

Article II of the Constitution provides that the President "shall take care that the laws be faithfully executed \* \* \*." It further provides that "he shall from time to time give to the Congress information on the state of the Union." In other words, he is accountable to the Congress for carrying out legislation enacted by it.

This aspect of accountability is certainly a timely one. The temptation is great to develop it at length. We hear much these days about "executive privilege," questions as to the President's authority to commit our armed forces to combat, criticism of the President for impounding funds appropriated by the Congress, charges of a credibility gap in information made available to Congress, and so on. Concurrently, we hear more and more frequently that Congress has lost its "coordinate" position with the executive branch, that Government has become too large and too complex for adequate legislative oversight, and that the President--thanks to TV--overshadows any similar figure or group

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of figures in the legislative branch, and thus has an overpowering natural advantage in molding public opinion.

An equally challenging and tempting aspect of accountability is whether the Congress has weakened its capability to exercise adequate legislative oversight because of its outmoded procedures and because of its preoccupation with details and hence insufficient attention to major program issues. This is a familiar story to all of us. Perhaps some of you have made these charges yourself.

But, I shall resist these temptations. In the brief time I have today, I want to develop a different but increasingly significant aspect of accountability. It is not unrelated to accountability of the Congress to the electorate, nor to the subject of separation of powers. Indeed, it is impossible to separate them. I am referring to the problem of accountability as it relates to the increasing use of organizations outside the Federal establishment itself in carrying out governmental programs.

The idea of carrying out governmental programs through non-governmental organizations is not a new one in our history. It is as old as the Erie Canal, land grants to the railroads, and the Morrill Act to support land-grant colleges.

What is new is the sharply increased dimension in recent years of the use of instrumentalities not directly administered by Federal employees--the private corporation, the quasi-governmental organization, non-profit groups, international organizations, and state and local governments. The forms of sponsorship are many, ranging from Federal charters to subsidies, from contracts to grants. But, they all have

a common denominator in that they are not administered directly by Federal employees; they share accountability to their own management and to the Federal Government.

The need for accountability to the Government stems from the simple but basic consideration that an organization, supported wholly or in part from public funds, or established as a result of governmental charter, must be accountable in some manner to the executive branch and to the Congress. It is a fundamental tenet of democratic society that individuals, agencies, or groups entrusted with public funds and responsibilities, must render an account of their activities.

Some have described this mixture of governmental and non-governmental arrangements as the "contract state." Others have described it as a blurring of the lines between the public and private sectors. Still others see it as a dangerous and unhealthy situation in which the Government is in danger of losing--or has lost--its ability to act in the public interest. The phrases--"military industrial complex," "educational industrial complex," and "medical industrial complex"--are used to describe what some consider to be an unholy alliance between government and industry under which the taxpayer and the general public come out as losers. Still others fear that accountability will bring with it governmental controls and the seeds of destruction of our pluralistic society.

For others, the issue--whether the growing trend is or is not desirable--is an academic one. They consider it inevitable and that the future will see an even more extensive use of such organizations.

As these people view it, the issue, therefore, is how the Government can hold these organizations accountable without losing

the essentials of ingenuity, creativeness and initiative which we have associated throughout our history with independent groups in our society. This is the view which I hold.

This latter thesis has been ably voiced in a current project sponsored by the Carnegie Corporation and the Ditchley Foundation under the heading of "Accountability and Independence." Through joint United States-British conferences, through a series of papers commissioned for a conference at Ditchley Park in Britain, and through additional papers commissioned for an upcoming meeting in Williamsburg this fall, the Carnegie Corporation and the Ditchley Foundation have underscored and highlighted the importance of preserving both accountability and independence.

In this 50th anniversary year of the Budget and Accounting Act, it is particularly timely to focus our attention on this apparent dilemma. While the subject is not exclusively one of Federal concern, the extent of delegation or contracting with external groups has gone further in the Federal Government than in State and local governments. It is also an area of interest to me as head of the United States General Accounting Office--a major concern of which is to assist the Congress in its legislative oversight responsibilities.

A listing and highlighting of the principal forms of delegation will help emphasize the importance and ramifications of the subject.

#### FEDERAL SUPPORT OF INTERNATIONAL PROGRAMS

Since World War II, the United States has been a major contributor to various international organizations, especially the United Nations

and its specialized agencies, and the international financial institutions.

Let me cite a few statistics:

- United States subscriptions in the International Monetary Fund stand at \$5.2 billion;
- United States subscriptions to the World Bank now total \$6.3 billion;
- Over the last decade, U.S. contributions to other international lending institutions, such as the Inter-American Development Bank, the International Development Association, and the Asian Development Bank, totaled more than \$4 billion;
- Direct contributions to the United Nations and its specialized agencies, and other international organizations totaled more than \$3.2 billion.

In recent years there has been a pronounced tendency toward transferring a greater portion of United States foreign assistance funds to international organizations. Certain characteristics of these organizations, particularly the fact of their being international, create perplexing problems in devising adequate techniques to obtain accountability. We must start by recognizing that membership presumes a willingness on the part of member nations to rely heavily upon the management of the organization or institution. We have entered into an agreement which severely limits action that can be taken unilaterally.

For example, developmental assistance carried out through the specialized agencies of the United Nations involves the international

sovereignty, so to speak, of these agencies. But this sovereignty must somehow be reconciled with the need to obtain sufficient financial, management, and program data to assure the contributing nations that the programs of these agencies are being carried out effectively. This information is needed, of course, for the United States to determine the type and level of support it should provide these agencies. The General Accounting Office has reviewed many of these programs and in many instances concluded that not enough information is available to the United States to make a valid assessment of their operations or results.

What is needed to overcome these inadequacies? We considered the possibility of audits by the United States and other member nations but discarded the idea as unwise and impractical. We concluded that the better course for providing accountability lies in pushing for better financial controls, program evaluation, and budgetary systems within these organizations. We recommended, and the Department of State is recommending, that the United States support the establishment of a single United Nations review body to make independent evaluations of United Nations developmental activities.

Following the recent announcement by the President that the United States would seek increasingly to channel its development assistance through multilateral organizations, the Department of State reorganized its Bureau of International Organization Affairs to strengthen the Bureau's ability to monitor and evaluate the programs and activities of the United Nations and its specialized agencies. This reorganization followed closely a plan recommended by our office to the Department and to the House Foreign Affairs Committee. This reorganization will provide

greater assurance to the Congress that channeling more aid through multi-lateral bodies will still afford reasonable oversight of expenditures channeled through these organizations.

With respect to the international lending institutions, GAO has similarly been concerned that there be a top level management review body in each international institution reporting to its governing board, as contrasted with the limited lower level audit activities reporting to the operating officials of the banks. This goal has already been accomplished at the Inter-American Development Bank.

#### FINANCIAL ASSISTANCE TO STATE AND LOCAL GOVERNMENT

The national debate now taking shape on grants-in-aid and revenue sharing is of special interest to those interested in the subject of accountability. Grant-in-aid programs have increased in the past 20 years from \$2.3 billion in 1950 to an estimated \$30.3 billion in 1971. Grants-in-aid have increased over this period on an average of 12 percent a year. By comparison State and local revenues have increased about 9 percent a year. Approximately one-quarter of all State and local funds are now derived from Federal grants.

An analysis of the Catalog of Federal Domestic Assistance compiled by the Office of Economic Opportunity for 1970 shows that human resource programs--education, manpower, health, and income maintenance--account for more than half of all Federal grant funds. In 1970, the Department of Health, Education and Welfare alone made 265 grants totaling over \$10 billion. This compares to 528 grants made for the entire Government in 1970, with obligations amounting to nearly \$24 billion.

For the future the new budget for 1972 states that "this year promises to be a turning point in the history of our Federal system," noting that the President's proposals for financial assistance to State and local governments, including revenue sharing for fiscal year 1972, total \$38.3 billion, an \$8 billion increase in one year.

In the debate on grants-in-aid and revenue sharing the basic question focuses on the primary purpose of such assistance. Is the primary purpose to support programs for specific national needs, financed in substantial part with national revenues and accounted for to the national Government? Or is their prime purpose equalization of the tax burden under a system of Federally-collected, locally-administered revenues?

The President, in his February 4 message to Congress on general revenue sharing, took note of the issue of accountability. He pointed out that many people believe that the best way to hold Government accountable to the people "is to be certain that the taxing authority and the spending authority coincide." He disagrees. His conclusion is that accountability really depends in the end "on how easily a given official can be held responsible for his spending decisions \* \* \* not where the money comes from, but whether the official who spends it can be made to answer to those who are affected by the choices he makes." In brief, the President concludes that the spending rather than the taxing is crucial in the accountability issue.

The dilemma is posed by the fact that the President recommended against allowing the application of the civil rights and equal



employment laws to be determined by State and local government. These would continue to be subject to Federal audit and Federal control.

"Special revenue sharing," essentially, is a program to consolidate categorical grants. The President's proposal, however, contemplates vastly increased local discretion to allow local determinations on program priorities within broad categories to replace judgments of Federal agencies and to provide for minimum accountability to the Federal Government as to how these funds are expended.

I doubt if there is any issue in our generation which has posed the issue of accountability more sharply.

Will the Congress, which must raise the taxes, be willing to settle for the discretion and delegation to State and local government which the President's proposals contemplate? Can we find alternative ways of achieving accountability short of the detailed and burdensome requirements which we have today in so many of our grant-in-aid programs? Will the special interests--concerned with, for example, child care, aid to the mentally retarded, or water pollution control--be satisfied to allow the need for these programs be made by the State and local governments?

Whichever way the issue turns, our attention has been focused sharply on the capability of State and local government to audit programs and to evaluate their effectiveness.

The GAO is currently taking the leadership in an effort to develop auditing standards which will more clearly define the nature and quality of auditing of these programs needed to provide managers and policymakers, including legislators, with information and independent

evaluations on what is done and what is accomplished with the funds expended. We also expect to develop a model state audit law. If revenue sharing, as proposed by the President, is adopted, the application of such standards may well become the major--perhaps the only--accountability tool remaining for the Federal Government.

#### FEDERAL CONTRACT RESEARCH CENTERS

Closely allied with the issues associated with the grants-in-aid and revenue sharing, is Federal Government assistance to scientific research. During the last 20 years, the Federal Government's assumption of expanded responsibility for scientific research has led to increased reliance on contracting with private non-profit organizations. The first of these was the RAND Corporation, managed by a group of private citizens established at the Douglas Aircraft Company in 1946, to provide systems analysis through a PROJECT RAND contract with the Army Air Corp. From this evolved the RAND Corporation in 1948.

By the early 1960's, the number of similar nonprofit corporations created by the defense agencies had expanded greatly. The increased need for strategic analysis led to the formation in 1956 of the Institute of Defense Analysis, used by the Joint Chiefs of Staff. Other well known nonprofit corporations sponsored by the defense agencies include:

- Analytic Services, Inc. (Air Force) 1958
- Logistics Management Institute (DoD) 1961
- Research Analysis Corporation (Army) 1961
- Center for Naval Analysis (Navy) 1962

During this period, the Air Force's need for systems engineering and technical management resulted in the creation of the MITRE Corporation in 1958, to serve in developing electronic and command control systems. The Aerospace Corporation was formed in 1960 to provide technical direction in missile and space programs. The System Development Corporation was spun-off from RAND in 1956, to provide computer information programming and processing. Finally, the John Hopkins University Applied Physics Laboratory, established in 1942, has been used by the Navy for technical advice on missile and space programs; the Laboratory is a Government-financed laboratory, operated as a division of the University. Nondefense agencies such as AEC, NASA and NSF also sponsor nonprofit research corporations.

By 1967, the Office of Science and Technology and the Federal Council for Science and Technology had identified 68 Federal contract research centers including 17 sponsored by the Department of Defense with varying degrees of autonomy and having highly differing purposes. Funding of these Federal Contract Research Centers increased from \$1.1 billion in 1962 to over \$1.5 billion in 1970.

One of the most recent nonprofit research corporations is the Urban Institute established in 1968 to study urban problems. Broadly speaking, the relationship of the Urban Institute will be to the Department of Housing and Urban Development as the RAND Corporation is to the Air Force. Recently announced are plans to create an Environmental Protection Institute to provide a similar role for the Environmental Protection Agency.

Much has been written and said as to the merits of these centers sometimes referred to as "captive" organizations. The word "captive,"

at least in the early days, was appropriate since most were not permitted at that time to undertake work or receive funds from any organization other than the sponsoring agency. The policy has since changed for most of them.

Supporters of these centers argued in behalf of their establishment that they could be organized more quickly than a new unit in the governmental establishment; they frequently could borrow personnel and resources already available at a university location; and, most importantly it was argued, they would not be subject to the painstaking accountability, and administrative requirements of the bureaucracy with respect to salaries, budgets, reporting, etc.--matters of long-standing concern to governmental in-house establishments.

But this very independence has also been the source of problems. How truly independent can an organization be, it is asked, if its life depends upon a year to year budget allowance from an agency or even a subordinate unit within an agency. Why should an organization fully or chiefly supported with Federal funds be permitted special privileges or advantages not given to those in the Federal establishment? One student of the subject summed up the dilemma of the Federal Contract Research Centers in these ironic terms: the principal issue with them currently, he said, is how to preserve the strengths which caused these centers to be established in the first place; that is, how to preserve professionalism and independence when their future is tied up so closely with the funding of a particular sponsoring organization.

With increasing scrutiny and restrictions, especially from the House Appropriations Committee, these centers have been pushing for

diversification of support and at least one has been cut loose from Government sponsorship and functions in the private sector.

And, the end of the story may not have been told. The question is asked--if we have the ingenuity to create a special purpose Tennessee Valley Authority, or a Langley Research Center, or a National Institute of Health, why can't we likewise establish the necessary flexibility and autonomy within Government? Can the sponsored research center, in short, have it both ways--freedom from market-place competition on the one hand and freedom from accountability to Government on the other?

#### RESEARCH AND DEVELOPMENT IN COLLEGES AND UNIVERSITIES

Another significant measure of Federal support of science is the growth of grant and contract funds to universities. The National Science Foundation plays a major role in such support. Statistics compiled by the NSF show that obligations for research and development conducted by colleges and universities more than doubled from \$800 million in 1962 to \$1.7 billion in 1970. The 1972 budget contemplates nearly \$2 billion. Its goal is very broad: to insure the vitality of research efforts; to develop and support research efforts to increase our understanding of the problems of society and their solution; and to advance the Nation's economic growth and welfare.

This research also provides for the training of science and engineering graduate students through employment on the research projects and helps develop needed capabilities in academic institutions to undertake research on important national, regional, and local problems.

Assessments of the management and results of these efforts have long challenged those managing and auditing these expenditures.

GOVERNMENT-OWNED, CONTRACTOR  
OPERATED PLANTS

In obtaining the goods needed by the Government to carry out its programs, the question of whether to make or whether to buy is the first question that must be answered. When it decides to make, the Government often invests in plants and equipment and then contracts with the private sector to operate the plants.

The Department of Defense and the Atomic Energy Commission both make extensive use of private contractors to operate Government-owned industrial plants. In fact, most of the work involved in achieving AEC goals is performed in Government-owned facilities under contracts with industrial and educational or other nonprofit organizations. By the end of fiscal year 1970, these AEC contractors had approximately 106,000 employees engaged in operations and 9,000 in construction work. This compares with 7,548 full-time AEC employees. Contracts with 350 prime industrial contractors in 1970 amounted to \$1.6 billion. In the same period, the Department of the Army had 28 active GOCO industrial plants whose operating expenses exceeded \$1.1 billion.

It can be seen that this technique is, essentially, that of procuring the management talents of the private sector. The Government has a great deal of control over the activities of contractors who operate GOCO plants. The question is the extent to which that control should be exercised. The traditional measure of the efficiency of the normal industrial enterprise--whether it makes a profit, is not present

with the GOCO's. Government must therefore find the yardsticks to measure the management effectiveness of these contractors.

#### NEGOTIATED PROCUREMENT

The Federal Government is the private sector's biggest customer. Since 1949, when the Federal Property and Administrative Services Act centralized civilian procurement, the dollar value of all U.S. purchases of supplies and equipment has increased from \$9 billion to \$55 billion. This is nearly one-fourth of the Federal Government's total budget. Nearly 90 percent of these purchases is in the form of negotiated rather than formally advertised bid procurement. About one-half is negotiated with a single supplier, known as sole-source procurement.

Where the Government can buy competitively in the market place, the normal market mechanisms can generally be relied upon to assure that the goods are procured economically. But negotiated procurement--especially negotiated sole-source procurement--requires other controls to insure reasonable prices to the Government.

Some have even raised the question as to whether the major defense contractors, whose entire business depends upon Government consumption and whose sales to the Government are predominately negotiated, are losing their status as private corporations.

A great deal of interest has been stimulated in improving Government procurement procedures. For example, DOD is increasing its use of "fly before you buy" procurement. GAO has recently recommended greater emphasis on "should cost" analysis to find ways in which the Government and the contractors can reduce the cost of weapon systems by applying improved management and engineering

techniques in carrying out the contract. The interest of the Congress is clearly demonstrated by the establishment of the Procurement Commission and the Cost Accounting Standards Board which is concerned with better cost information in negotiated defense procurements.

GOVERNMENT UTILIZATION OF PRIVATE  
ENTERPRISE FOR SOCIAL PURPOSES

A relatively new and different technique for attaining Federal objectives other than through grants and subsidies to private institutions, is the chartering of separate and independent organizations which may or may not receive initial or continuing funding by the Federal Government. Many are intended to be self-supporting. Here are some recent illustrations of this technique.

Job Opportunities in the Business Sector -  
JOBS Program

The JOBS Program, initiated in 1968, represents a joint effort by the Government and the private sector to find meaningful employment for disadvantaged persons. The National Association of Businessmen (NAB) was established as a private, independent, non-profit corporation for the purpose of stimulating private business firms to hire and train the disadvantaged. The present goal of the JOBS Program is the employment of 614,000 hard-core unemployed in 125 cities by June 30, 1971. NAB seeks to attain this objective by creating awareness, involvement and commitment in the business community to stimulate them to provide jobs and training for such persons and advise the Secretary of Labor on how the Government can help meet this objective.

GAO recently reviewed the operation of the JOBS Program and concluded that, in spite of growing pains and many remaining problems,



it has been effective in focusing the attention of businessmen on the employment problems of disadvantaged persons and in eliciting broad responses and commitments by many private employers to hire, train and retain the disadvantaged. By the end of June of last year, more than 15,000 companies had hired persons under the JOBS Program and almost one-half million jobs had been pledged to be placed.

#### Medicare Program

The Medicare program was established in 1966 to provide persons over age 65 with hospital and physician care. Physicians' services and other medical and health care is provided through a voluntary Supplementary Medical Insurance Program. This program is administered by private carriers through contracts with the Secretary of HEW. The carriers' functions include:

- Determining the rates and amounts of payments on a reasonable charge basis;
- Determining the medical necessity of the payments; and
- Receiving, disbursing, and accounting for Medicare funds.

By the end of last year, 19.2 million persons were enrolled in this program and 49 carriers had made benefit payments of about \$1.5 billion.

I think we can look forward to even further use of the private sector for a range of social-purpose programs. In his Health Message to the Congress earlier this year, the President called for the establishment of health maintenance organizations--known as HMO's--to upgrade the delivery of health services to U.S. citizens. The HMO's are intended to bring together a comprehensive range of medical

services in a single organization so that a patient is assured of convenient access to all of them. These medical services are provided for a fixed contract fee which is paid in advance by all subscribers. There is thus a strong built-in incentive for greater efficiency.

An advantage of using private organizations for social-purpose programs is the ability to develop flexible relationships with the persons being served. But to the extent that delivery of services is decentralized, accountability problems become more acute. "Built-in" accountability--such as the profit incentive of the proposed HMO's--thus becomes highly important.

#### SPECIALLY CHARTERED QUASI PUBLIC ORGANIZATIONS

In addition to the utilization of private enterprise for social purpose programs, a number of quasi public organizations have been established to carry out functions which traditionally have been wholly committed to the private sector. These quasi public organizations were created to fill the gap between what the private sector had been able to deliver and what the Government felt was required in the public interest. Here are three examples:

##### Corporation for Public Broadcasting

In 1967 Congress established the Corporation for Public Broadcasting to provide financial assistance for non-commercial educational TV and radio broadcasting. This nonprofit corporation seeks to strengthen and improve educational radio and TV by providing an independent source of funds. It also operates and interconnects its own stations. Although independent from the Government in its operations, it thus far depends upon appropriations by Congress to finance its

operations. Having no independent source of income, it remains subject to influence by the President and the Congress through the appropriation process beyond that contemplated when established.

#### Communications Satellite Corporation

At the dawn of the space age in the early 1960's, the Communications Satellite Corporation (COMSAT) was incorporated as a profit-making corporation with the goal of establishing, in cooperation with other countries, a commercial communications satellite system as part of an improved global communications network. Financially, this corporation is completely independent of the Government since it finances its operations through issuance of capital stock to the public.

Dual responsibility to its stockholders and the Government can cause a dichotomy in its operations--for example, the State Department can direct COMSAT to provide communications for areas of the world that are unprofitable and therefore not in the interest of its shareholders. COMSAT also must depend upon NASA for launching of its satellites, and its operations are regulated by the Federal Communications Commission.

#### National Railroad Passenger Corporation (RAILPAX) (Renamed AMTRACK)

The most recent quasi public corporation, created by the last Congress--the National Railroad Passenger Corporation was established to provide intercity railroad passenger service. This was in response to the threat that railroad passenger service might disappear. By 1970, there were only 500 passenger trains compared to 20,000 in 1929. RAILPAX is chartered as a private, profit making organization financed

principally by common and preferred stock; is authorized to operate intercity trains and make contracts with railroads or other companies for use of facilities and equipment; and can rely on railroads to provide manpower.

Although the accountability problems associated with the quasi public corporations are similar to those relating to private enterprise organizations established for social purpose programs--that is preserving independence and the advantage of market mechanisms--an additional factor to consider is that they compete with other private sector corporations. Thus there is inevitably a danger that Federal support of this type of quasi public corporation, if not carefully controlled, may tend to undermine the effect of private sector competition which may be the very reason for being of the quasi public corporation. One way to avoid this danger is to insure that these quasi public corporations are not financially dependent upon income from the Federal Government.

#### EXPANDING ROLE OF FEDERALLY SPONSORED FINANCING AGENCIES

A special type of quasi public corporation is the federally sponsored financing agency. From their initiation in 1917, their role has grown to the extent that their operations play important roles in the allocation of monetary and fiscal resources. The five presently in existence are:

Federal National Mortgage Association

Federal Home Loan Banks

Federal Intermediate Credit Banks

Federal Land Banks, and

Bank for Cooperatives

Each was, at one time, either wholly or partly Government-owned. Now they are entirely privately owned, and are not included in the budget of the Federal Government. They were established by Congress to meet national objectives in the area of agriculture and housing and, although now privately owned, are still under Government supervision.

The Federal National Mortgage Association is presently the largest in scope of the federally sponsored financing agencies, being involved mainly in the purchase and sale of FHA insured and VA guaranteed mortgages. In 1970, the outstanding debt of these agencies totaled \$35.8 billion. Over fiscal years 1970 and 1971, the estimated net increase in outstanding debt of these agencies amounted to more than \$18 billion.

Besides affecting the housing and agricultural programs they were designed to aid, the policies of these agencies are affecting overall economic stabilization policies of the Government. Some fear that these agencies, created to supplement the activities of the private sector, are becoming the dominant institutions in these areas. These people would prefer to have the operations of these institutions subject to Federal budgetary control.

DELEGATION MAY INVOLVE MIXED  
PUBLIC PURPOSES

The accountability issue is clouded and made more difficult by the fact that the Government, in the various forms of delegation or contracting outlined above, is seeking to accomplish, in many cases, more than one public purpose. In most if not all of these

arrangements, the Government has the option of direct operations. Its decision not to do so may be influenced heavily by the fact that other objectives are sought by the use of external organizations:

- Strengthening private enterprise.
- Supporting educational institutions.
- Fostering international cooperation.
- Encouraging private investment as a means of lessening public expenditure requirements.

I would not argue, as does Peter Drucker, that Government is inherently incapable of efficient management, and thus should limit itself to a policy role, but many thoughtful students of Government argue that pluralism in carrying out Government programs, like pluralism in the private sector, may in and of itself be an objective which should be encouraged. It would be difficult to conceive of a situation where we attempted to carry on all Federal activities through direct Federal operations.

There must be a balance between accountability and delegation. We now realize the Defense Department's total package procurement concept, for example, which resulted in Lockheed's problems with the C5A aircraft and the Cheyenne helicopter, is not a viable arrangement. We now recognize that the Government must have a continuing, intimate, day to day relationship in monitoring development and production problems when a weapons system is being purchased which pushes the "state of the art."

The opposite extreme is the extent to which the National Science Foundation once insisted on over-detailed accountability by requiring "total effort" reporting for academic scientists who received grants from the National Science Foundation. Either extreme is to be avoided.

THE AUDITOR'S ROLE IN MANAGEMENT  
AND PROGRAM EVALUATION

Perhaps some of you think of the auditor as the accountant whose role is limited to certifying as to the adequacy and completeness of financial statements. In such terms, his role is important but limited to making certain that there has been an adequate disclosure of financial data to the Congress, to the executive, and to the public.

This aspect of accountability, which I refer to as fiscal accountability, is only a part of the auditor's role. The National Association for the Advancement of Colored People complained to our Office that a financial audit of grant-in-aid programs by State auditors was of little value if the auditor was unconcerned as to whether the program achieved the congressionally intended purpose. The stockholders of a major corporation not long ago sued a public accounting firm who certified as to the adequacy of the firm's financial accounts shortly before the company went bankrupt. Their opinion was too limited, it was argued, in that it did not analyze basic management problems of the company.

Indeed, the Budget and Accounting Act of 1921 contemplated that the auditor would be concerned broadly with the "receipt, disbursement, and application of public funds \* \* \*." Similarly, the Legislative Reorganization Act of 1946 directs the Comptroller General to make expenditure analyses to "enable Congress to determine whether funds have been economically and efficiently administered and expended." More recently, the Legislative Reorganization Act of 1970 calls on the Comptroller General to make studies of costs and benefits of Federal programs.

The responsibility of the auditor in the GAO, and elsewhere, embraces three aspects of accountability:

- fiscal accountability, which includes fiscal integrity, disclosure, and compliance with applicable laws and regulations;
- managerial accountability, concerned with the efficient and economical use of personnel and other resources; and
- program accountability, designed to assess whether programs are achieving their intended objectives and that the best program options have been selected to achieve these objectives from the standpoint of total cost and outputs.

An accountability system should embrace all three elements. There must be public confidence as to fiscal integrity in the spending of public funds; there must be assurance that waste does not occur through mismanagement; and, there must be a way to assess whether programs are accomplishing their intended objectives with the least cost and maximum results.

I do not intend to imply that the auditor has an exclusive, or even necessarily the primary, responsibility for management and program evaluation. Other analytical staffs and other systems of review are also available to the administrator. Too frequently, however, such staffs have been primarily concerned with budget formulation and program planning and not sufficiently with whether on-going programs are achieving their intended result. This is the area to which the auditor has a major and increasingly important contribution to make. He has a tradition of making his findings



independent of the operating official; he is increasingly equipped with special skills which go far beyond that required for financial audits alone; and, most importantly, he is increasingly looked to by the legislature and by the executive for studies and recommendations on all three aspects of accountability.

ACCOUNTABILITY WITHIN THE  
EXECUTIVE BRANCH

It should be emphasized that, in any accountability system, the legislative branch is concerned with how well the manager is informed with respect to his operations; whether he has the necessary staff to deal with operating problems; and whether he is adequately evaluating his program accomplishments. When the Congress, for example, uncovers vast irregularities in the post exchanges and commissaries of the Defense Department, its natural question is why the Defense Department had not identified and dealt with the situation. When the Congress is frustrated as to whether the economic opportunity and elementary education programs are working, a natural question is what evaluations have the agencies made and what resulted from them. When the Congress is called upon to increase funding for international organizations, the natural question is how much does the State Department or the Treasury Department know about the effectiveness of international loans and technical assistance.

It is important, therefore, that the legislative auditor carry out his responsibility in part by auditing the agency's system of accountability--finding out whether internal audit is on top of its job, whether management has the information it needs to prevent cost

over-runs, whether it has the analyses to justify additional funding, and so on. This concept is fundamental in that it places the emphasis on accountability at the point of primary responsibility, namely, the agency head or the President.

BY WHAT TEST SHALL WE  
JUDGE PERFORMANCE

Unlike the market-place test of sales and profits, the Government auditor seldom can apply an equally concrete test of costs and benefits. Sometimes he can make cost benefit studies in quantitative terms. Usually he must search the legislative history, the appropriations hearings, and the translation of sometimes broad statutory charters into statements of program objectives of the operating agency. He must examine evidences of program impact, of good or bad coordination, and alternately, perhaps, he must exercise subjective judgments based on his own experience as a trained analyst, the conclusions reached by management, or the recipient of the program itself. In short, there is frequently no established "par for the course" by which to judge performance.

The problem is even more sharply focused when Government operates through an external organization.

--How do we assess the impact of a model cities or a community action program designed in large part to promote citizen action and social change, complicated still further by the fact that funds may come from several agencies--public and private--under differing statutory provisions?

--How do we isolate the impact of United States foreign economic assistance from the political climate and the economic development efforts within an underdeveloped nation?

--How does the auditor reach a conclusion on how well research grants are administered in a given university?

The form and extent of accountability, moreover, cannot be divorced from the legislative or the political climate at a particular point of time. All of a sudden people have discovered the meaning of the words "ecology" and "environment." These have now become household and school-room words. Ralph Nader has become something of a national ombudsman. Cost over-runs and efficiency have become headline items, matters of concern to the entire Congress, not just the Appropriations and Armed Services Committees.

The conclusions for my remarks today can be summed up briefly:

- The trend toward using external groups by Government will probably increase in the years ahead.
- Congressional and public concern with respect to accountability systems will grow as Government increases in size and complexity.
- As the concern for accountability increases, we must seek new ways to evaluate management and program effectiveness, keeping in mind that under our separation of powers the executive branch will continue to have the primary task in the accountability system, and
- Finally, as we recognize the need for, and as we can provide for an adequate and well-understood accountability system, we will also be serving the objective of a more responsive system of Government, and a more democratic society.